

Letter to Investors - October 2025

From Andrew Mitchell and Steven Ng
Founders and Senior Portfolio Managers

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In this edition of our Letter to Investors, we look at what it takes to become – and to select – an award-winning fund, including:

- Our fantastic win at this year's Australian Fund Manager Foundation Awards
- The vital importance of long-term consistency in becoming a top-performing fund
- Why investing in the 'best-performing' fund of the year isn't always a path to riches
- Three elements that have contributed to the success of our Ophir Opportunities Fund (including a relentless focus on earnings)
- Why we're so excited about the outlook for our global small cap fund

October 2025 Ophir Fund Performance

Before we jump into the Letter, we've provided a detailed monthly update for each of the Ophir Funds below.

The Ophir Opportunities Fund returned +1.2% net of fees in October, underperforming its benchmark which returned +1.9%, and has delivered investors +24.5% p.a. after fees since inception (August 2012).

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The Ophir High Conviction Fund (ASX:OPH) investment portfolio returned +0.5% after fees in October, underperforming its benchmark which returned +1.4%, and has delivered investors +14.9% p.a. after fees since inception (August 2015). The ASX listing returned -0.6% for the month.

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The Ophir Global Opportunities Fund (Class A) returned +0.5% net of fees in October, underperforming its benchmark which returned +1.3%, and has delivered investors +19.1% p.a. after fees since inception (October 2018).

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The Ophir Global High Conviction Fund (Class A) returned -1.7% net of fees in October, underperforming its benchmark which returned +1.3%, and has delivered investors +14.4% p.a. after fees since inception (September 2020).

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Pounding the Rock – the Stonecutter's credo

"When nothing seems to help, I go look at a stonecutter hammering away at his rock, perhaps a hundred times without as much as a crack showing in it. Yet at the hundred and first blow it will split in two, and I know it was not that blow that did it, but all that had gone before." - Jacob Riis

The above quote is from *The Making of an American*, a 1901 book by the Danish American journalist Jacob Riis. It was about the idea that success often comes after long unseen labour.

NBA basketball team the San Antonio Spurs adopted it as a team motto under Hall of Fame and five-time Championship coach Gregg Popovich.

It's one that we love here at Ophir and one we'll come back to in this month's Letter.

Ophir awarded best Australian Small Companies Manager 2025

But first, we'd like to share some exciting news - the Ophir team took home a major win last month at the Australian Fund Manager Foundation Awards, where we were named Best Australian Small Companies Manager for 2025.

This is our favourite industry event for two reasons:

1. It's voted by a committee of industry peers.
It's not a 'pay to play' awards night like some others, where you have to pay to be considered. Bias-free is the best!
2. It raises funds for community-based charities.
This year the awards supported Odyssey House NSW and the Sydney Children's Hospital Foundation.

As Andrew mentioned on the night, the award reflects a huge team effort - and it's only possible thanks to the tremendous support and faith of our investors who trust us with some of their life savings.



This marks the first time our Aussie small-cap fund, the Ophir Opportunities Fund, has picked up the prize.

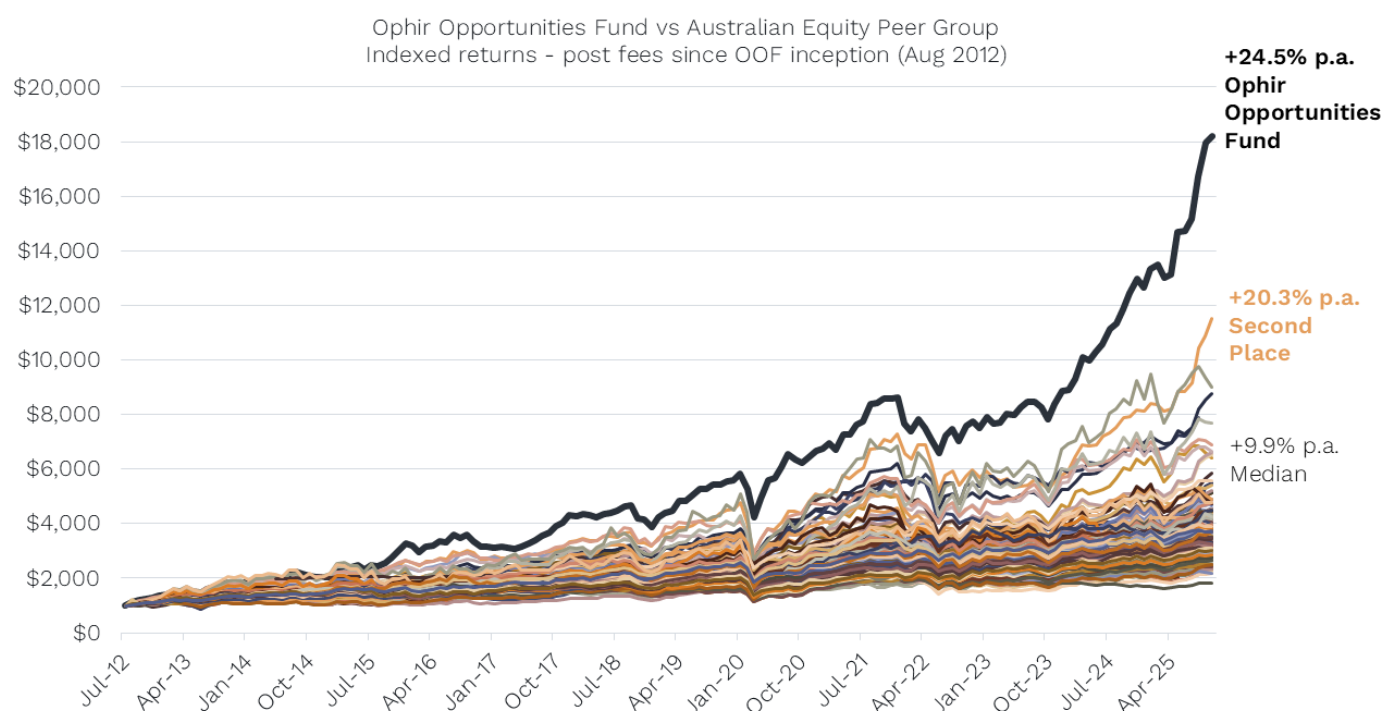
We're extremely proud of its long-term performance. Initial investors have now made 18x their investment with the Fund clocking up +24.5% per annum after fees.

By comparison, the benchmark ASX Small Ordinaries Accumulation Index has returned 2.6x its initial investment, or +7.6% per annum.

That outperformance puts it well ahead of every other Australian equity fund launched since 2012 - as the chart below shows - when Ophir and the Opportunities Fund began.

How many years at the top?

You might look at the chart below and think, *surely there are many years where you've had the top performing Australian Small Cap fund.*



Data as at 31 October 2025 from inception August 2012. Source: Morningstar Australian Large (Blend, Geared, Growth, Value), Mid/Small (Blend, Growth Value), Long Short funds.

The reality? Just one - 2015.

Below is the ranking (according to Morningstar) of the Ophir Opportunities Fund out of all the Aussie small-cap funds each year, followed by the number of funds operating:

- | | | |
|----------------------------|-----------------|-------------------------|
| • Year to date 2025: 5/211 | • 2020: 39/160 | • 2015: 1/107 |
| • 2024: 2/207 | • 2019: 10/146 | • 2014: 19/103 |
| • 2023: 26/192 | • 2018: 94/140 | • 2013: 3/99 |
| • 2022: 58/184 | • 2017: 2/123 | • 2012 (from Aug): 2/98 |
| • 2021: 42/173 | • 2016: 109/118 | |

What stands out?

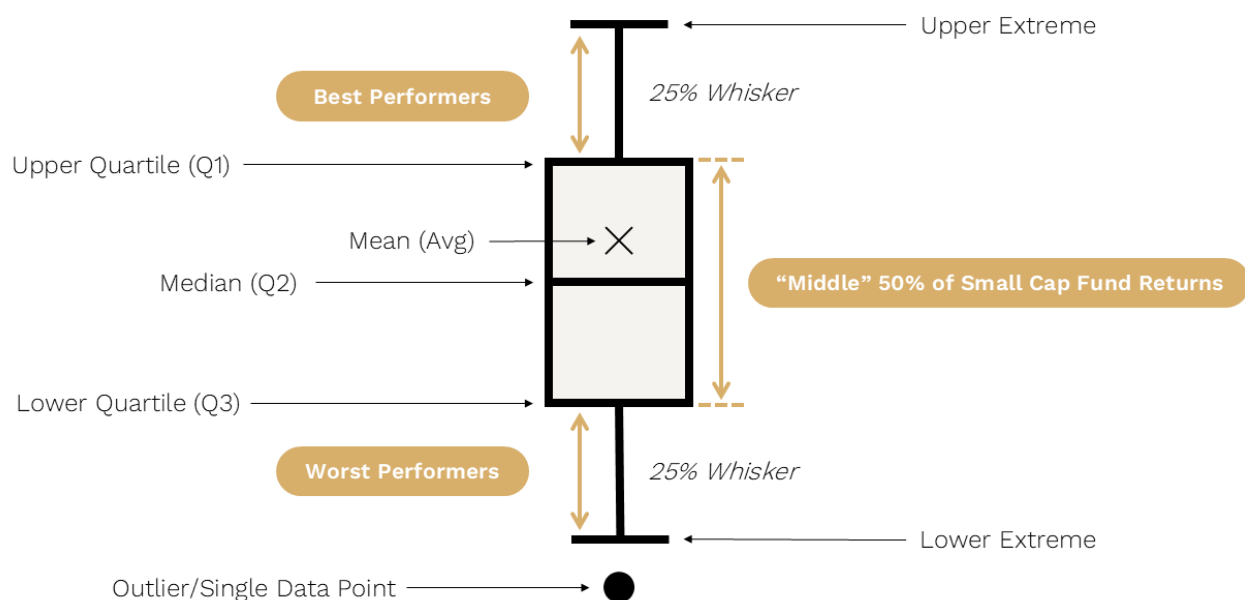
First, there are a LOT of Australian Small Cap Funds! In fact, there are only 200 Australian small-cap stocks, so we now have more managers than stocks!

And while we've had strong results recently in 2024 and so far in 2025, we haven't been at the very top every year.

Another way to look at our long-term consistency is through that familiar Year 10 maths favourite, the box and whisker chart.

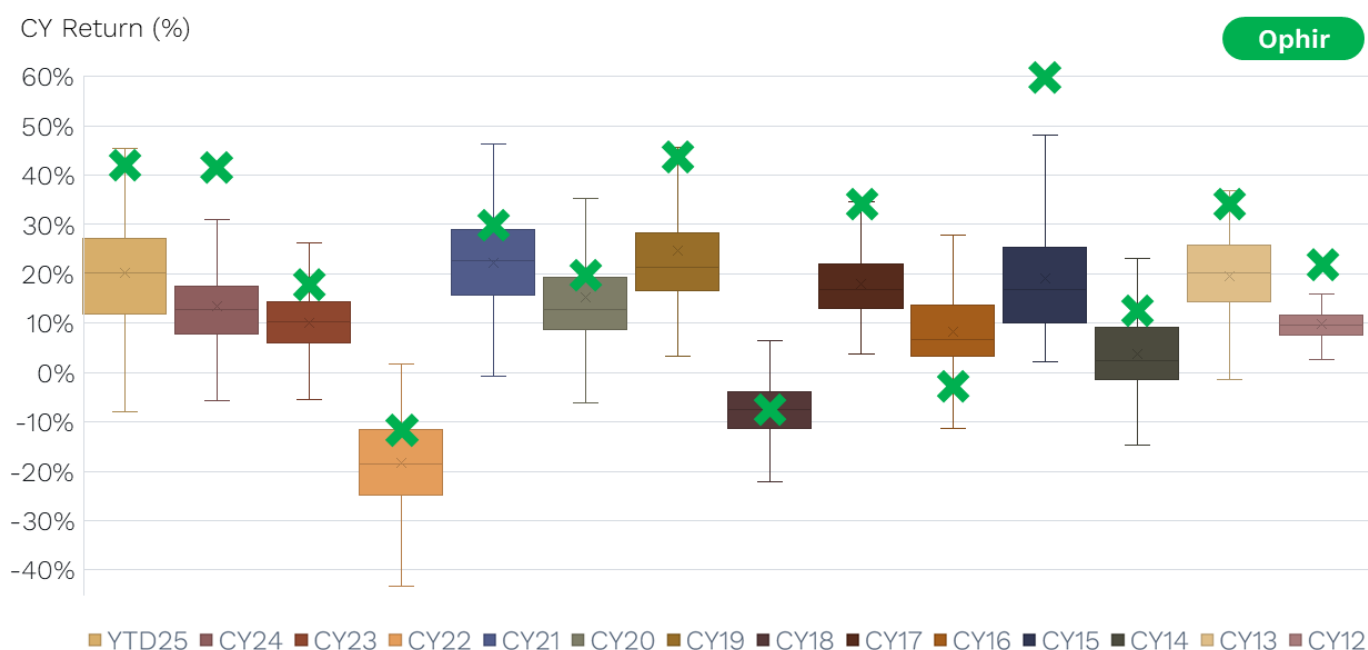
In it, the 'box' shows the middle 50% of small-cap fund results, while the 'whiskers' stretch up to the best performers and down to the worst.

Box & Whisker Chart



Below, the Ophir Opportunities Fund's returns are shown with the green "X's" compared to all the other Aussie small-cap funds that were in operation each year.

Calendar Year Returns Aus Mid/ Small Peers



Data as at 31 October 2025 from inception August 2012. Source: Morningstar Australian Large (Blend, Geared, Growth, Value), Mid/Small (Blend, Growth Value), Long Short funds.

Note: CY12 is August 2012 to December 2012. YTD25 is January 2025 to October 2025.

Four lessons learnt

So, what are the lessons for us and investors in general:

1. **You don't need to be the best in any given year** or even in many given years to generate great returns over the long term. Being consistently good or very good is enough. We were near the top in a few years... with even a few positive outlier years.
2. When we reviewed the names and holdings of some of **the top funds in any given year, they often tend to have a 'factor' or 'sector' bias**, and that bias gets over-rewarded that year – shooting the fund to the top and outperforming the true stock pickers. Be wary of those funds. Those biases often reverse. Today's hero can quickly become tomorrow's villain if it's not backed up by a sound and repeatable investment process with an 'edge' on the market. Often the top-performing manager in a given year will have a big skew towards (for example) things like lithium, gold, AI, a high-beta levered balance sheet in a risk-on environment, etc, only to see performance suffer when that bias falls out of favour.
3. Likewise, **be wary of thinking reports in your favourite business newspaper about "this year's best performing fund"** offer a path to riches by investing with them. Far too many have poor performance in the years prior due to some factor that is out of favour. Their performance then pops when the factor mean reverts and they make the press - but you won't read that in the article. *"One of this year's top performing managers has had a ripping year, after falling for each of the previous three years!"*. At Ophir, we know our performance comes from stock picking not some big bias. That's why it has been sustainable.
4. It sounds trite, but **avoiding horrible years is also important** to long-term success. If you fall -50% you have to make a +100% return just to break even. 2016 was clearly a poor year of returns for us with the fund. You just can't have too many of them... and fortunately, we haven't. Every fund will have them, even the long-term top performing ones. Share prices don't always follow a company's business success in the short run.

Three elements of success

Reflecting on our award-winning year for our Ophir Opportunities Fund, what would we put our success down to? Three things stand out:

1. Limited Capacity

If you have good performance, you can't keep taking in money forever and a day. In funds management, size kills - especially in small caps. Take in too much money and you either have to:

- Invest in larger companies. But they have more eyeballs on them, so it's harder to get an edge on the market. We felt for Warren Buffett (but not too much!) for much of the latter part of his career having to manage hundreds of billions of dollars that could only be invested in the largest and most picked-over companies in the world. We are not foolish enough to believe we could find an edge investing in those businesses.
- Own bigger stakes in the same-size companies. But that sees you incurring market impact costs to enter or exit. It also takes ages to get into or out of the positions, so you lose your ability to be nimble if your view changes quickly.
- Own many more companies. But that dilutes your edge and outperformance potential as stock numbers blow out.

Of course, it could be a combination of all three. The history of funds management is littered with managers who had great initial performance, got too greedy, then saw performance suffer.

2. Put all your money in your funds

It's easier said than done, and maybe it's not for everyone, but we subscribe to the Charlie Munger view: *"You show me the incentive and I'll show you the outcome"*.

Or as former NSW Premier Jack Lang said - a quote repeated by former Australian Prime Minister Paul Keating - *"In the race of life, always back self-interest, at least you know it's trying"*.

It's one of the reasons we insist that investment team members who join us only invest in the Ophir Funds – it's the best way to ensure their complete focus at work.

3. And, finally, “Pound the Rock”!

We said we’d come back to it. Investing for us is about finding a process that works and trusting that process. There is a lot of noise in financial markets. Share prices don’t always track a company’s short-term success. You can get your analysis right, but you can’t account for all the thousands of different variables impacting a profit result. Some will go against you. That is life.

Even if you do all the work, get an edge on the market, and the profit result is better than the market expects, there is no guarantee the share price will go up in the short term.

As we’ve seen before from painful experience, you might be invested in a ‘consumer discretionary’ sector stock (take JB HiFi as an example), but investors suddenly don’t care about today’s earnings result. Instead, they’re focused on a possible recession around the corner and potentially poor future results. So they use the strong earnings news to exit the company, pushing its price down.

But as investing legend Peter Lynch says: *“A company’s earnings and stock price are 100% correlated in the long term”*.

You’ve just got to keep pounding the rock and focus on getting the earnings result right. Eventually, the rock will crack and the share price, and ultimately the fund performance - will go the way you want.

An easier edge

It was fantastic to win an award recently for our original Ophir Opportunities Fund.

But as investors who have caught up with us lately have heard, it’s actually another Ophir fund that is receiving the most of our personal investments: the **Ophir Global Opportunities Fund**.

Why?

Simply, we think it will outperform the Ophir Opportunities Fund over the next five-plus years.

Global small caps are a lot cheaper than Aussie small caps at present. With one-fund-manager-per-stock in Aussie small caps, it could be slightly easier to get an edge on global small caps these days. Plus it’s also got some great runs on the board, returned +19.1% p.a. after fees since inception in 2018.

As always, if you’d like to chat to us about any of the Funds, please feel free to call us on (02) 8188 0397 or email us at ophir@ophiram.com.

As always, thank you for entrusting your capital with us.

Kindest regards,

Andrew Mitchell & Steven Ng

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